

Home health services in rural areas

ISSUE: Should rural home health be exempt from the new prospective payment system? Rural health care advocates, among others, have suggested that access to home care in rural areas may suffer because higher costs associated with providing care in rural areas may not be adequately accounted for in the new payment system.

KEY POINTS: We conclude that the new PPS should work equally well in both urban and rural settings based upon our analysis of its components:

- The unit of payment for home health service is short enough for reliable predictions of resource use over its span and long enough to allow agencies to manage care effectively within the episode.
- The base payment amount will probably capture the costs of an episode of care incurred by an efficient provider.
- The case mix system will probably reflect costs that differ from the average cost of a unit of service due to the characteristics of the beneficiary.

We propose to recommend that Congress not exempt rural home health from the prospective payment system. In the short run, the 10 percent increase in rural home health payments provided in recent law should temporarily offset any potential problems in rural areas.

We also propose to recommend that the Secretary improve the quality of data on home health costs. In the long run, we will need good data from the implemented PPS to assess:

- whether rural providers will face higher costs per episode than the national mean due to costs beyond their control, and
- whether similar urban and rural home health users will receive different services.

ACTION: Staff will ask the Commission if some aspect of the new payment system, or of rural home health, suggests that rural home health should be exempt from the PPS at this time.

We will also ask the Commission to either choose among or prioritize three steps to improve cost data on home health:

- substantially increasing the audit rate for cost reports
- clarifying allowable costs and the documentation required
- drawing a pool of providers to evaluate selected costs

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